

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**(A Component Unit of the Township of Montclair)**

**REPORT OF AUDIT**

**FOR THE YEARS ENDED**

**DECEMBER 31, 2022 AND 2021**

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**

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**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**COUNTY OF ESSEX**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**



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### **INDEPENDENT AUDITOR'S REPORT**

Honorable President and  
Members of the Board of Trustees  
Township of Montclair Free Public Library  
Montclair, New Jersey

#### **Report on the Audit of Financial Statements**

##### ***Opinions***

We have audited the accompanying balance sheets - regulatory basis of the various funds of the Township of Montclair Free Public Library, a component unit of the Township of Montclair as of December 31, 2022 and 2021, and the related statements of revenues, expenditures and changes in fund balance - regulatory basis for the years then ended and the related notes to the financial statements.

##### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds of the Township of Montclair Free Public Library as of December 31, 2022 and 2021, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

##### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Montclair Free Public Library as of December 31, 2022 and 2021, or changes in financial position for the years then ended.

##### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township of Montclair Free Public Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Montclair Free Public Library on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Montclair Free Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control. Accordingly, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Montclair Free Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of Montclair Free Public Library as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Montclair Free Public Library. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated July 6, 2023 on our consideration of the Township of Montclair Free Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Montclair Free Public Library's internal control over financial reporting and compliance.

  
 LERCH, VINCI & BLISS, LLP  
 Certified Public Accountants  
 Registered Municipal Accountants  
  
 Dieter P. Lerch  
 Registered Municipal Accountant  
 RMA Number CR00398

Fair Lawn, New Jersey  
 July 6, 2023

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
AS OF DECEMBER 31, 2022 AND 2021**

	Balance, December 31, <u>2022</u>	Balance, December 31, <u>2021</u>
<b>ASSETS</b>		
Cash	\$ 1,588,435	\$ 988,785
Prepaid Expense	<u>695</u>	<u>695</u>
Total Assets	<u>\$ 1,589,130</u>	<u>\$ 989,480</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Current Liabilities		
Accounts Payable	\$ 71,925	\$ 23,444
Payroll Deductions Payable	21,315	18,202
Reserve for Unrestricted State Aid	21,071	20,672
Reserve for Unemployment	<u>2,500</u>	<u>13,460</u>
Total Current Liabilities	<u>116,811</u>	<u>75,778</u>
Fund Balance		
Restricted		
Grant	42,997	60,457
Endowment	701,912	408,744
Capital Improvement	76,593	76,593
Unrestricted	<u>650,817</u>	<u>367,908</u>
Total Fund Balance	<u>1,472,319</u>	<u>913,702</u>
Total Liabilities and Fund Balance	<u>\$ 1,589,130</u>	<u>\$ 989,480</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - REGULATORY BASIS  
AS OF DECEMBER 31, 2022 AND 2021  
OPERATING FUND**

	<u>Year 2022</u>	<u>Year 2021</u>
REVENUES		
Township Appropriation	\$ 3,382,267	\$ 3,068,080
State Aid	20,672	16,323
Fines, Fees and Miscellaneous	18,800	16,157
Adult School Tuition	93,826	60,321
Adult School Other	-	10,014
Interest	<u>1,657</u>	<u>172</u>
Total Revenues	<u>3,517,222</u>	<u>3,171,067</u>
EXPENDITURES		
Salary & Wages	1,806,131	1,641,772
Pension/Insurance	666,144	660,309
Other Expenses	<u>762,038</u>	<u>746,953</u>
Total Expenditures	<u>3,234,313</u>	<u>3,049,034</u>
Excess of Revenues Over Expenditures	282,909	122,033
Fund Balance, January 1	<u>444,501</u>	<u>322,468</u>
Fund Balance, December 31	<u>\$ 727,410</u>	<u>\$ 444,501</u>
Analysis of Fund Balance		
Restricted	\$ 76,593	\$ 76,593
Unrestricted	<u>650,817</u>	<u>367,908</u>
	<u>\$ 727,410</u>	<u>\$ 444,501</u>



**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - REGULATORY BASIS  
AS OF DECEMBER 31, 2022 AND 2021  
GRANT FUND**

	<u>Year 2022</u>	<u>Year 2021</u>
REVENUES		
Donations	\$ 40,137	\$ 15,200
Total Revenues	<u>40,137</u>	<u>15,200</u>
EXPENDITURES		
Other - Non-Budgetary	<u>57,597</u>	<u>17,427</u>
Total Expenditures	<u>57,597</u>	<u>17,427</u>
Deficiency of Revenues Under Expenditures	(17,460)	(2,227)
Restricted Fund Balance, January 1	<u>60,457</u>	<u>62,684</u>
Restricted Fund Balance, December 31	<u>\$ 42,997</u>	<u>\$ 60,457</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - REGULATORY BASIS  
AS OF DECEMBER 31, 2022 AND 2021  
ENDOWMENT FUND**

	<u>Year 2022</u>	<u>Year 2021</u>
REVENUES		
Donations	\$ 634,883	\$ 222,979
Interest	<u>2,186</u>	<u>174</u>
Total Revenues	<u>637,069</u>	<u>223,153</u>
EXPENDITURES		
Other - Non-Budgetary	<u>343,901</u>	<u>132,874</u>
Total Expenditures	<u>343,901</u>	<u>132,874</u>
Excess of Revenues over Expenditures	293,168	90,279
Restricted Fund Balance, January 1	<u>408,744</u>	<u>318,465</u>
Restricted Fund Balance, December 31	<u>\$ 701,912</u>	<u>\$ 408,744</u>

## **NOTES TO FINANCIAL STATEMENTS**

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Township of Montclair Free Public Library was incorporated under R.S. 40:54-1 and operates under a Board of Trustees appointed by the Mayor and Council of the Township of Montclair. The financial statements of the Township of Montclair Free Public Library include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Montclair Free Public Library.

GASB requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Library is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Library is financially accountable to the Township of Montclair (the "Township") since the Township appoints a voting majority of the Library's board, and (1) the Township is able to significantly influence the programs and services performed or provided by the Library; or (2) the Township is legally entitled to or can otherwise access the Library's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the Township; or the Township is obligated for the debt of the Library. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Library is a component unit of the Township.

**B. Description of Regulatory Basis of Accounting**

The financial statements of the Township of Montclair Free Public Library (the "Library") have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Library accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The regulatory basis of accounting is the standard method of accounting practiced by public libraries throughout the State of New Jersey.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The Library does not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**C. Basis of Presentation – Financial Statements**

The Library uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Library functions or activities.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

The Library has the following funds and account group:

**Unrestricted Funds:**

Operating Fund – Resources and expenditures for library operations of a general nature, including Federal and State grants for operation. This fund also includes the Adult School, which is an expansion of the Library's lifelong learning program and is maintained in a separate account to record the revenues (Tuition) and expenditures for the various run programs.

**Restricted Funds:**

Grant Fund – is to be used for various grantor restricted purposes to aid and benefit the Library.

Endowment Fund – is to be used for donor restricted purposes for the acquisition of books, periodicals and other media.

**Comparative Data** - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Library's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2021 balances to conform to the December 31, 2022 presentation.

**Financial Statements – Regulatory Basis**

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Library presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Township of Montclair Free Public Library follows a modified accrual basis of accounting. Under this method of accounting, revenues, except for the Library Contribution and State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for libraries by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

**Cash and Investments** - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the library. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Prepaid Items** – Certain payments to vendors or other governments reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Inventories of Supplies and Books** - The costs of inventories of supplies and books are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the balance sheet at year end.

**General Fixed Assets** – Property and equipment purchased by the Library are recorded as expenditures at the time of purchase and are not capitalized. A general fixed assets account group has not been established to account for property and equipment purchased by the Library.

**Compensated Absences** - Expenditures relating to obligations for unused vested accumulated sick and vacation leave and salary related payments are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

**Fund Balance** – Restricted fund balances are created to identify the portion of fund balance that is available for future or restricted expenditures.

**Restricted for Capital Improvements (Operating Fund)** – This restriction was created to fund future capital expenditures.

**Grant Fund** – The revenue generated from local grants would be used annually for expenditures related to the learning objectives of the Library. The income generated from the fund would be additional funding to the Library.

**Endowment Fund** – The revenue primarily generated from contributions from the Montclair Public Library Foundation would be used annually for library materials and programs. The income generated would be additional funding to the Library.

**Revenues** – Revenues, except for the Township contribution, State/Federal Aid and certain quasi-governmental revenues, are recognized on a cash basis. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

**State Library Revenue Aid** – Decisions on the use and expenditure of per capita State Library Aid rests with the Board of Trustees of the Library. The aid is received on an annual basis, usually in November. It is the Board's policy to hold the current year's State Aid as a reserve in the liability section of the balance sheet until the succeeding year where it is included as part of the support for that year's operation. The only restriction placed on the use of State Library Aid is that it must be expended within two years of receipt.

**Expenditures** – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order. Outstanding encumbrances at December 31, are reported as a cash liability (accounts payable) in the financial statements. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable.

**Pensions** – The Library appropriates in its annual budget the amount required to be paid for pension contributions as determined by the State administered pension systems. Under the regulatory basis of accounting the Library is only required to disclose in the Notes to the Financial Statements its share of the actuarially determined net pension liabilities, deferred outflow of resources, deferred inflow of resources and pension expense (benefit) related to the State administered pension system. GAAP requires these actuarially determined amounts to be reported in the government-wide financial statements.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Other Post-Employment Benefits (OPEB)** – The Library funds its employer paid post-retirement medical benefits on a pay-as-you-go basis. Under the regulatory basis of accounting the Library is only required to disclose in the Notes to the Financial Statements it's actuarially determined net OPEB liability, deferred outflow of resources, deferred inflow of resources and OPEB expense (benefit). GAAP requires these actuarially determined amounts to be reported in the government-wide financial statements.

**Contributed Services** - At various times during the year, volunteers perform services for the Library without remuneration. The fair value of these costs is not reported on the financial statements. GAAP requires the fair value of these costs to be reported as a revenue and expenditure on the financial statements.

**Use of Estimates** - The preparation of financial statements requires management of the Library to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 2 CASH DEPOSITS AND INVESTMENTS**

The Library considers petty cash, change funds and cash in banks as cash.

**A. Cash Deposits**

The Library's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Library is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for deposits in excess of the FDIC or NCUSIF insured amounts. GUDPA does not protect withholdings from an employee's salary or funds which may pass to the Library upon the happening of a future condition.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2022 and 2021, the book value of the Library's deposits were \$1,588,435 and \$988,785 and bank and brokerage firm balances of the Library's deposits amounted to \$1,613,501 and \$1,004,158, respectively. The Library's deposits which are displayed on the balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2022</u>	<u>2021</u>
Insured	\$ 1,592,186	\$ 985,956
Uninsured and Collateralized	<u>21,315</u>	<u>18,202</u>
	<u>\$ 1,613,501</u>	<u>\$ 1,004,158</u>



**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)**

**A. Cash Deposits (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Library does not have a formal policy for custodial credit risk. As of December 31, 2022 and 2021, the Library’s bank balances of \$21,315 and \$18,202 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2022</u>	<u>2021</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Library's name	\$ 21,315	\$ 18,202
	<u>\$ 21,315</u>	<u>\$ 18,202</u>

**B. Investments**

The Library is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Library or bonds or other obligations of the school districts which are a part of the Library or school districts located within the Library, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2022 and 2021 the Library had no outstanding investments.

**NOTE 3 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

The Library permits employees to accrue a limited amount of unused sick pay, which may be paid upon retirement or death (within certain limitations).

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$67,281 and \$72,664 at December 31, 2022 and 2021. This amount, which is considered material to the financial statements, is not reported either as an expenditure or liability.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Library employees who are eligible for pension coverage.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Annual Comprehensive Financial Report (ACFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

<b>Tier</b>	<b>Definition</b>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Library employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees who would otherwise be eligible to participate in PERS on or after November 2, 2008 and do not earn the minimum salary required for tier 3 enrollment or do not work the minimum required hours for tier 4 and tier 5 enrollment but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

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**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj.us/treasury/doinvest](http://www.state.nj.us/treasury/doinvest).

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2022 was not available and for June 30, 2021 is \$12.0 billion, and the plan fiduciary net position as a percentage of the total pension liability is 70.33% at June 30, 2021.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2020 which were rolled forward to June 30, 2021.

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**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Actuarial Methods and Assumptions**

In the July 1, 2020 PERS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2022 and 2021 based on 7.50% for PERS and 5.50% for DCRP of employee's annual compensation.

For PERS, which is a cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Library for 2022, 2021 and 2020 were equal to the required contributions.

During the years ended December 31, 2022, 2021, and 2020, the Library, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Years Ended</u> <u>December 31,</u>	<u>PERS</u>
2022	\$ 262,537
2021	226,031
2020	204,393

In addition for the years ended December 31, 2022, 2021 and 2020 the Library contributed for long-term disability insurance premiums (LTDI) \$0, \$0 and \$1,147 respectively for PERS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The regulatory basis of accounting requires participating employers in PERS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer's prior fiscal year. The GASB No. 68 financial information from the State's Division of Pensions and Benefits to be reported for the year ended December 31, 2022 for the measurement date of June 30, 2022 was not available as of the date of audit. Accordingly, the State's Division of Local Government Services issued Local Finance Notice 2023-10 which authorized and permits New Jersey municipalities to present the most recent available audited GASB No. 68 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 68 financial information for the year ended December 31, 2022 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2021 and 2020. Employer allocation percentages have been rounded for presentation purposes.

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**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS)**

At December 31, 2021, the Library reported a liability of \$2,655,709, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Library's proportionate share of the net pension liability was based on the ratio of the Library's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2021, the Library's proportionate share was .02242 percent, which was an increase of 0.00176 percent from its proportionate share measured as of June 30, 2020 of 0.02066 percent.

For the year ended December 31, 2021, the pension system has determined the Library's pension expense/(benefit) to be (\$289,295), for PERS based on the actuarial valuations which is less than the actual contribution reported in the Library's financial statements of \$226,031. At December 31, 2021, the Library's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Library's financial statements are from the following sources:

	2021	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 41,884	\$ 19,012
Changes of Assumptions	13,831	945,450
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		699,584
Changes in Proportion and Differences Between Library Contributions and Proportionate Share of Contributions	<u>545,039</u>	<u>130,742</u>
Total	<u>\$ 600,754</u>	<u>\$ 1,794,788</u>

At December 31, 2021 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2022	\$ (415,657)
2023	(382,232)
2024	(262,547)
2025	(144,075)
2026	10,477
Thereafter	<u>-</u>
	<u>\$ (1,194,034)</u>

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**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The Library's total pension liability reported for the year ended December 31, 2021 was based on the June 30, 2021 measurement date as determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00%
	Based on Years of Service
Thereafter	3.00%-7.00%
	Based on Years of Service
Investment Rate of Return	7.00%

*Mortality Rates*

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2021, as reported for the year ended December 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<b>2021</b>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.35%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Investment Grade Credit	8.00%	1.68%
US Equity	27.00%	8.09%
Non-US Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
High Yield	2.00%	3.75%
Real Assets	3.00%	7.40%
Private Credit	8.00%	7.60%
Real Estate	8.00%	9.15%
Private Equity	13.00%	11.30%



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**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liability for PERS was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

***Sensitivity of Net Pension Liability***

The following presents the Library's proportionate share of the PERS net pension liability as of December 31, 2021 calculated using the discount rate of 7.00%, as well as what the Library's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
<b><u>2021</u></b>			
Library's Proportionate Share of the PERS Net Pension Liability	<u>\$ 3,616,537</u>	<u>\$ 2,655,709</u>	<u>\$ 1,840,310</u>

The sensitivity analysis was based on the proportionate share of the Library's net pension liability at December 31, 2021. A sensitivity analysis specific to the Library's net pension liability was not provided by the pension system.

***Pension Plan Fiduciary Net Position***

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 5 POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Library.

**Plan Description and Benefits Provided**

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

**State Health Benefit Program Fund – Local Government Retired (the Plan)** (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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**NOTE 5 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

The Plan provides medical and prescription drug health benefit plans to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Plan Membership and Contributing Employers**

Membership and contributing employers/nonemployers of the defined benefit OPEB plan consisted of the following at June 30, 2021:

Active Plan Members	64,243
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	<u>32,624</u>
Total	<u>96,867</u>
Contributing Employers	585
Contributing Nonemployers	1

**Measurement Focus and Basis of Accounting**

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

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**NOTE 5 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Collective Net OPEB Liability**

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2022 was not available and for 2021 is \$18.0 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is 0.28% at June 30, 2021.

The total OPEB liabilities were determined based on actuarial valuations as of July 1, 2020 which was rolled forward to June 30, 2021.

**Actuarial Methods and Assumptions**

In the July 1, 2020 OPEB actuarial valuation, the actuarial assumptions and methods used in this valuation were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Post-Retirement Medical Benefits Contribution**

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$325.1 million and the State of New Jersey, as the non-employer contributing entity, contributed \$37.8 million for fiscal year 2021.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Library was not required to make contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2022, 2021 and 2020.

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**NOTE 5 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions.

Under GASB Statement No. 75 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer's prior fiscal year. The GASB No. 75 financial information from the State's Division of Pensions and Benefits to be reported for the year ended December 31, 2022 for the measurement date of June 30, 2022 was not available as of the date of audit. Accordingly, the State's Division of Local Government Services issued Local Finance Notice 2023-10 which authorizes and permits New Jersey municipalities to present the most recent available audited GASB No. 75 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 75 financial information for the year ended December 31, 2022 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2021 and 2020. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2021, the Library reported a liability of \$0, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020. The Library's proportionate share of the net OPEB liability was based on the ratio of the Library's proportionate share of the OPEB liability attributable to the Library at June 30, 2021 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2021. As of the measurement date of June 30, 2021 the Library's proportionate share was 0.0 percent, which was a decrease of 0.02303 percent from its proportionate share measured as of June 30, 2020 of 0.02303 percent.

For the year ended December 31, 2021, the Plan has determined the Library's OPEB expense to be \$1,442 based on the actuarial valuation which is more than the actual contributions reported in the Library's financial statements. At December 31, 2021, the Library's deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Library's financial statements are from the following sources:

	2021	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes in Proportion and Differences Between Library Contributions and Proportionate Share of Contributions	\$ 3,395,027	\$ 4,441,632
Total	<u>\$ 3,395,027</u>	<u>\$ 4,441,632</u>

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**NOTE 5 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

At December 31, 2021 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense (benefit) as follows:

Year Ending December 31,	<u>Total</u>
2022	\$ (90,729)
2023	(90,729)
2024	(90,728)
2025	(91,386)
2026	(90,893)
Thereafter	<u>(592,140)</u>
	<u>\$ (1,046,605)</u>

***Actuarial Assumptions***

The Library's total OPEB liability reported for the year ended December 31, 2021 was based on the June 30, 2021 measurement date as determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2021</u>
Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%

\*Salary increases are based on years of service within the respective pension plan.

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**NOTE 5 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

***Mortality Rates***

Pre-retirement and healthy post-retirement mortality rates were based on the Pub-2010 Healthy “General” for PERS classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

***Health Care Trends***

The trend rate for pre-Medicare medical benefits is initially 5.65 percent and decreases to a 4.50 percent long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2022 and 2023 are reflected. Future years PPO and HMO trend rates differ for each retirement plan. PPO trend is initially 7.56% in fiscal year 2024, increasing to 14.43% in fiscal year 2025 and decreasing to 4.50% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to 4.50% long-term after 7 years.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of the PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the plan upon retirement.

**Discount Rate**

The discount rate for June 30, 2021 measurement date was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

***Sensitivity of Net OPEB Liability to Changes in the Discounts Rate***

The following presents the Library’s proportionate share of the net OPEB liability as of December 31, 2021 calculated using the discount rate of 2.16%, as well as what the Library’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.16% or 1-percentage-point higher 3.16% than the current rate:

	<b>1% Decrease (1.16%)</b>	<b>Current Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
<b><u>2021</u></b>			
Library's Proportionate Share of the Net OPEB Liability	\$ -	\$ -	\$ -

The sensitivity analysis was based on the proportionate share of the Library’s net OPEB liability at December 31, 2021. A sensitivity analysis specific to the Library’s net OPEB liability was not provided by the Plan.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 5 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate*

The following presents the Library's proportionate share of the net OPEB liability as of December 31, 2021 calculated using the healthcare trend rates as disclosed above as well as what the Library's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2021</u>	<u>1%</u> <u>Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rates</u>	<u>1%</u> <u>Increase</u>
Library's Proportionate Share of the Net OPEB Liability	\$ -	\$ -	\$ -

The sensitivity analysis was based on the proportionate share of the Library's net OPEB liability at December 31, 2021. A sensitivity analysis specific to the Library's net OPEB liability was not provided by the pension system.

**NOTE 6 RISK MANAGEMENT**

The Township of Montclair maintains insurance policies which cover the Library as well. The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission, injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

**NOTE 7 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, the President of the United States declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, also declared a public health emergency on March 9, 2020 and instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey's economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor's pandemic-related executive orders on July 4, 2021. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) terminated on January 1, 2022. On January 11, 2022, the Governor reinstated, via Executive Order No. 280, the state of emergency and declared a new public health emergency in response to a surge in cases tied to new variants of COVID-19, in particular the Omicron variant. Such public health emergency was set to expire 30 days from January 11, 2022, but was later extended, via Executive Order No. 288, for an additional 30 days on February 10, 2022. On March 4, 2022, the Governor declared, via Executive Order No. 292, an end to the reinstated public health emergency, effective March 7, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place.



**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 7 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC (Continued)**

The Township of Montclair Free Public Library's finances and operations may be materially and adversely affected as a result of the continued spread of COVID-19 through reduced or delayed revenue streams, which include the collection of property taxes, which are the Township of Montclair Free Public Library's primary revenue source for supporting its budget. The Township of Montclair Free Public Library cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain its facilities, or costs to operate remotely and support Library functions and critical government actions during an outbreak or any resulting impact such costs could have on the operations of the Library. However, as of the date of audit, even though the Library finances and operations had certain reduced revenue streams due to the COVID-19 outbreak, the overall finances and operations of the Library have not been materially and adversely affected due to the COVID-19 outbreak.

The degree of any such impact on the operations and finances of the Library cannot be predicted due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Library and its economy. The Library is monitoring the situation and will take such proactive measures as may be required to maintain its functionality and meet its obligations.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 11, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

The Plan includes various forms of financial relief including up to a \$1,400 increase in direct stimulus payment to individuals and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Library.

## **SUPPLEMENTARY SCHEDULES**

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

Balance, January 1, 2022		\$ 988,785
Increased by Receipts:		
Municipal Appropriation	\$ 3,382,267	
State Aid - Reserve for Unrestricted State Aid	21,071	
Fines, Fees and Miscellaneous	18,800	
Donations		
Grant Fund	40,137	
Endowment Fund	634,883	
Adult School - Tuition	93,826	
Interest		
Operating Fund	1,657	
Endowment Fund	<u>2,186</u>	
		<u>4,194,827</u>
		5,183,612
Decreased by Disbursements:		
2022 Operating Budget	690,113	
Payroll Deductions Payable	2,469,162	
Other - Non-Budgetary		
Grant Fund	57,597	
Endowment Fund	343,901	
Reserve for Unemployment	10,960	
Accounts Payable	<u>23,444</u>	
		<u>3,595,177</u>
Balance, December 31, 2022		<u>\$ 1,588,435</u>

Analysis of Balance, December 31, 2022

Operating Account, TD Bank	\$ 719,132
Payroll Agency Account, TD Bank	21,315
Grant Fund Account, TD Bank	42,997
Unemployment Account, TD Bank	2,500
Endowments, Memorials and Gifts Account, TD Bank	701,912
Adult School Bank Account, TD Bank	100,279
Petty Cash	<u>300</u>
Balance, December 31, 2022	<u>\$ 1,588,435</u>

## SCHEDULE B

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
STATEMENT OF 2022 BUDGET REVENUES - OPERATING**

	Budget (Memo)	Realized	Excess or (Unrealized)
REVENUES			
Municipal Appropriation	\$ 3,382,267	\$ 3,382,267	
State Aid	18,823	20,672	\$ 1,849
Fines, Fees and Miscellaneous	12,050	18,800	6,750
Adult School - Tuition	81,000	93,826	12,826
Interest	350	1,657	1,307
Total Revenues	<u>\$ 3,494,490</u>	<u>\$ 3,517,222</u>	<u>\$ 22,732</u>
Municipal Appropriation	\$ 3,382,267		
Cash Receipts		114,283	
Reserve for State Aid		20,672	
		<u>\$ 3,517,222</u>	

## SCHEDULE C

**STATEMENT OF 2022 BUDGET EXPENDITURES - OPERATING**

	Budget (Memo)	Paid or Charged	(Deficit) or Unexpended Balance
EXPENDITURES			
Salary & Wages	\$ 1,959,390	\$ 1,806,131	\$ 153,259
Pension & Benefits	683,828	666,144	17,684
Library Materials			
Books/Electronic Materials	38,810	23,404	15,406
Audiovisual	4,000	2,957	1,043
Subscriptions	150	22	128
Databases	42,173	39,740	2,433
Programs			
Youth Programs	3,203	352	2,851
Adult Programs	7,751	1,985	5,766
Adult School	54,800	85,227	(30,427)
Professional Contracted Services	32,200	36,497	(4,297)
Library Services/Technology	193,000	120,867	72,133
Administration			
Other Operating Expenses	15,000	26,301	(11,301)
Professional Development	20,300	2,089	18,211
Facilities			
Maintenance	147,400	173,718	(26,318)
Furnishings and Equipment	14,000	15,826	(1,826)
Insurance	19,500	19,589	(89)
Public Internet and WiFi	5,000		5,000
Utilities	205,000	194,800	10,200
Telecommunications	24,000	18,664	5,336
Capital Improvements	24,985	-	24,985
Total Expenditures	<u>\$ 3,494,490</u>	<u>\$ 3,234,313</u>	<u>\$ 260,177</u>
Cash Disbursements	\$ 690,113		
Payroll Deductions Payable		2,472,275	
Accounts Payable		71,925	
		<u>\$ 3,234,313</u>	

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
DUE FROM THE TOWNSHIP**

SCHEDULE D

Increased by:	
2022 Municipal Appropriations	\$ 3,382,267
Decreased by:	
Cash Receipts	<u>\$ 3,382,267</u>

**STATEMENT OF PREPAID EXPENSES**

SCHEDULE E

Balance, January 1, 2022	\$ 695
Balance, December 31, 2022	<u>\$ 695</u>

**STATEMENT OF ACCOUNTS PAYABLE**

SCHEDULE F

Balance, January 1, 2022	\$ 23,444
Increased by:	
Charges to 2022 Appropriations	<u>71,925</u>
	95,369
Decreased by:	
Cash Disbursements	<u>23,444</u>
Balance, December 31, 2022	<u>\$ 71,925</u>

## SCHEDULE G

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY  
STATEMENT OF PAYROLL DEDUCTIONS PAYABLE**

Balance, January 1, 2022	\$ 18,202
Increased by:	
Charges to 2022 Appropriations	<u>2,472,275</u>
	2,490,477
Decreased by:	
Cash Disbursements	<u>2,469,162</u>
Balance, December 31, 2022	<u>\$ 21,315</u>

## SCHEDULE H

**STATEMENT OF RESERVE FOR UNRESTRICTED STATE AID**

Balance, January 1, 2022	\$ 20,672
Increased by:	
Cash Receipts	<u>21,071</u>
	41,743
Decreased by:	
2022 Anticipated Revenue	<u>20,672</u>
Balance, December 31, 2022	<u>\$ 21,071</u>

## SCHEDULE I

**STATEMENT OF RESERVE FOR UNEMPLOYMENT**

Balance, January 1, 2022	\$ 13,460
Decreased by:	
Cash Disbursements	<u>10,960</u>
Balance, December 31, 2022	<u>\$ 2,500</u>



LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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GARY J. VINCI, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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ROBERT LERCH, CPA  
CHRISTOPHER M. VINCI, CPA, PSA  
CHRISTINA CUIFFO, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Trustees  
Township of Montclair Free Public Library  
Montclair, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements—regulatory basis of the Township of Montclair Free Public Library as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated July 6, 2023. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township of Montclair Free Public Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Montclair Free Public Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

However, we noted a certain matter that is not required to be reported under Government Auditing Standards that we reported to management of the Township of Montclair Free Public Library in the section of this report of audit entitled, "General Comments".

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Montclair Free Public Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & BLISS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Fair Lawn, New Jersey  
July 6, 2023

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**

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**GOVERNMENT AUDITING STANDARDS AND  
COMMENTS AND RECOMMENDATIONS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

## **TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY**

### **GENERAL COMMENTS**

**Finding** – Our audit revealed that salaries paid to employees per the personnel change forms were not in agreement with the approved salary resolution.

**Recommendation** – Salaries paid to employees be in agreement with the approved salary resolution.

## TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY

### RECOMMENDATIONS


- \* 1. Salaries paid to employees be in agreement with the approved salary resolution.

A review was performed on all prior year's recommendations. The Library has taken corrective action on all prior year recommendations except those denoted by an asterisk (\*).

\* \* \* \* \*

This report is intended solely for the use of the Board of Trustees and should not be used for any other purpose.

Should any question arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

  
LERCH, VINCI & BLISS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398